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1. SUEZ CANAL CLEARANCE OPERATIONS

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Lt. General Wheeler, chief of UN salvage operations, has reported that the 28-vessel UN salvage fleet is ready to begin operations; he has organized the fleet on the assumption he can use six British vessels which are at present actually attached to wrecks they are lifting. Wheeler has notified the French and the British that the political directive under which he is operating does not permit him to begin clearance operations until the last British and French troops have left, and that he cannot retain any British and French crews except three men on each of the six vessels for training purposes.

Hammar-skjold reportedly has Egyptian agreement that the UN can use any equipment it desires, regardless of source, and that clearance can begin as soon as British-French withdrawal is completed. Insistence by Britain and France on the use of all their 40-vessel salvage fleet and personnel may jeopardize the UN arrangements for clearing the canal, according to Secretary General Hammar-skjold. The secretary general has proposed to Egypt that the present British salvage force at Port Said--believed to consist of 25 vessels--continue clearing the main channel there. When this work is completed, the British salvage force can be phased out and replaced with UN personnel and vessels so that work will not have to be interrupted. Egyptian foreign minister Fawzi has agreed to recommend that his government accept the UN proposal.

The first objective of the UN clearance operations is to clear a narrow one-way channel of 25-foot draft the entire length of the canal, approximately 104 miles. Britain has cleared such a channel from Port Said to the

cease-fire line at El Cap, a distance of some 22 miles. Completing clearance of this narrow channel for the length of the canal involves the removal of nine major obstructions, including two wrecked bridges. Wheeler estimates that this limited clearance, which will not open the canal to large loaded tankers, can be completed by 1 March. He has not given an official estimate on how long it will take to open the canal for full normal use.

American naval officials report that the clearance of obstacles is not expected to end blockage problems. Long silting without dredging operations will probably result in blockage due to grounding of vessels even after salvage operations are completed.

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2. SOVIET FORCES IN GERMANY CRITICIZED FOR POOR STATE OF READINESS

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Marshal Grechko, commander of the Group of Soviet Forces in Germany, (GSFG) complained about the state of readiness of his troops at a Soviet Communist Party meeting in East Germany last month,

He noted that Soviet troops have been preparing for movement toward the West, but have completely neglected planning for deployment eastward. During recent alerts, troops assembled slowly and some units arrived at their destinations without ammunition and adequate supplies. Grechko reported, also, that the results of training in the GSFG in 1956 were poorer than in 1955.

The Soviet Ministry of Defense has issued an order calling for a series of training alerts for the GSFG in which particular attention will be directed to large headquarters units which are seldom assembled for alerts.

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Comment

The lack of preparation was obvious during the deployment of GSFG units to the Polish border in October. The annual fall maneuvers this year were brief, including only two major exercises. Units reportedly had returned from the field to their home stations earlier than usual because of Soviet concern over possible developments in the Satellites and the Soviet zone of Germany.

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3. HUNGARIAN REGIME STEPS UP REPRESSIVE TACTICS AS VIOLENCE MOUNTS

The Hungarian regime has accelerated all aspects of its program of repression. On 12 December the regime decreed a mandatory death sentence for all criminal violations of martial law, arrested the president of the now-outlawed Budapest Central Workers' Council, and began a propaganda campaign stressing the arrest of large numbers of resisting forces.

The 48-hour general strike, described by the American legation as almost 100 percent effective in Budapest, came to an end the morning of 12 December, but the announced arrest of the Budapest Workers' Council president reportedly caused a great many of the workers in the city to resume the strike. A break in the hitherto solid front of revolutionary forces has been reported by one American correspondent in Budapest, who claims that trouble between the workers and the peasants has flared in the city market places. This friction was reportedly caused by worker resentment of increasingly high food prices.

Press reports of violent outbursts in Budapest and in the provinces have been partially substantiated by some of the regime's own admissions and by observations by US legation personnel.

The regime has been able to increase the size of militia forces combating the workers, according to the legation, but these forces appear to be fearful of the population and more than a little willing to leave the "really rough situations" to the regular security units, which are composed primarily of former security police personnel. The Soviet

troops have maintained their heavy patrols, but have been careful not to become engaged in the fighting. In the opinion of the legation, however, continued strife is forcing the USSR more and more out of the policy of waiting for the population to tire of resistance and more and more toward the hard choice of whether to use greater terror or to make some sign of concession or willingness to compromise.

4. SOVIET SUBMARINE PROBABLY FITTED FOR MISSILE LAUNCHING SIGHTED NEAR LENINGRAD

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[REDACTED] [REDACTED] sighted in Kronstadt a Soviet submarine on which was mounted a cylindrical tank approximately 22 feet long and eight feet in diameter and possibly an inclined ramp, both located aft of the conning tower.

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Comment

The submarine, probably fitted to carry and launch guided missiles, appeared to be a modified version of the long-range "W-class" series, of which over 200 have been constructed since 1950. Soviet submarines with apparently similar modifications were reported in the Northern Fleet area in July and in the Sea of Japan in November. Such modification of Soviet submarines probably would be an interim measure until the USSR developed a submarine capable of internal stowage, permitting a larger number of missiles to be carried.

The USSR is believed to have been capable since 1955 of launching subsonic missiles of 500-nautical-mile range from submarines. The extensive employment of Soviet long-range submarines to carry guided missiles was indicated by party leader Khrushchev last spring when he said that a submarine equipped with guided missiles is the "most suitable naval weapon" and that its development would be emphasized by the Soviet navy. [REDACTED]

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8. U NU MAY INCLUDE COMMUNIST FRONT LEADERS
IN ANY NEW BURMESE CABINET

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[REDACTED] [REDACTED]
When U Nu resumes the prime minister-
ship in early 1957, the Burmese cabinet
will be reshuffled by dropping two top
Socialist ministers and adding two rep-
resentatives of the Communist-dominated National United
Front, [REDACTED]

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[REDACTED] One of the Front leaders allegedly
slated to enter the cabinet is a non-Communist. The other,
however, is Thetpongyi Thein Pe Myint, a Communist of
long standing despite an ostensible break with the Burma
Communist Party when it went underground in 1948.

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This [REDACTED] reflects the continuing strug-
gle between U Nu and a strong faction of the Socialist Party
headed by Kyaw Nyein, one of the ministers reportedly sched-
uled to be dropped. [REDACTED]

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While numerous reports point to Nu's im-
minent return to power, there are indications that the matter
has not been finally decided. Prime Minister Ba Swe has thus
far remained noncommittal on relinquishing his office.
[REDACTED]

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9. SUKARNO MAY EXPLOIT DEMANDS FOR INDONESIAN CABINET CHANGES

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[REDACTED]
President Sukarno may take advantage of revived demands for changes in the Indonesian cabinet to assert greater personal authority. There has been in-

creasing mention of the possibility of a "presidential cabinet." Moreover, [REDACTED]

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[REDACTED] Sukarno is planning to call a meeting of the leaders of all major political parties and attempt to form a "control body." This body, under the president, would "direct" the actions of both the parliament and the cabinet.

Any such development would facilitate Sukarno's plans for a "guided democracy" and for the de-emphasis of political parties. The president announced last month that he would offer definite suggestions in mid-December to achieve these goals.

Meanwhile, the present cabinet's position is being weakened by a new interrogation of Foreign Minister Abdulgani on corruption charges, jockeying for position among the small government parties, and general criticism over the cabinet's continued inaction on pressing domestic problems.

10. MOLLET GOVERNMENT'S FALL EXPECTED EARLY
NEXT YEAR

Leaders of two parties on which French premier Mollet has frequently depended for parliamentary support expect him to be overthrown at the end of January barring a major international crisis at the time. They told American officials in Paris on 11 December that a budget debate in January on the Algerian and Suez operations will provoke the government's fall. The embassy comments that these predictions appear premature, but it acknowledges that Mollet has slipped seriously since the failure of his Suez policy.

Comment

During Mollet's premiership there has been little speculation on his early overthrow, and the careful calculations of various parties to avoid an upset in the 10 December budget debates indicate assembly unwillingness to unseat him now. If the economic repercussions from the Suez and Algerian disturbances get worse, Mollet will probably be overthrown.

ANNEX

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Watch Report 332, 13 December 1956,
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the
Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future. The USSR is continuing to give diplomatic, propaganda, and material support to Egypt and Syria.

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